



IHCDA

Project Based Voucher

Subsidy Layering Review Policy and Procedures

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Introduction

In IHCD's capacity as the Housing Credit Agency for the State of Indiana, HUD has granted IHCD the authority to conduct Subsidy Layering Reviews (SLR) for any project receiving a Project Based Voucher (PBV) award from an Indiana Public Housing Authority (PHA). The PHA providing the Project Based Voucher Award (the "awarding PHA") is responsible for submitting all materials outlined in the SLR application.

An IHCD SLR is conducted pursuant to the HUD SLR Guidelines most recently updated in FR Notice, Vol. 88, No. 48, March 13th, 2023. IHCD does not have the authority to waive any of these SLR Guidelines.

PHA Submission Guidelines

Request for an IHCD SLR must be made by the PHA providing the PBV award. To request an SLR the PHA must submit to IHCD all items listed in IHCD's "SLR Submission Checklist" spreadsheet. While many of these items are most likely to come from the project owner/developer, it is the responsibility of the awarding PHA to initiate the SLR request and to submit the complete package to IHCD for review.

Once IHCD receives a request for SLR, the PHA will be provided with access to a OneDrive folder to submit the required documentation.

IHCD will provide a SLR Certification Letter or Denial Letter within 30 business days of all required documents being submitted.

In the case where IHCD is the awarding PHA, IHCD will pull all available documents from the applicable LIHTC or HOME application. Any remaining documents needed to complete the SLR will be requested from the owner/developer.

Required Documents for Subsidy Layering Review

The PHA is responsible for collecting and submitting all documents listed below. All documents are required by HUD SLR Guidelines and must be submitted before the SLR can be completed.

1. PHA Cover Letter

- a. Letter from awarding PHA requesting IHCD conduct the SLR. Letter must include the PHA Number, PHA contact person including phone number and email address, project owner contact person including phone number and email address, and project name. (See sample in PIH Notice 2013-11)

2. Narrative Description of the Project

- a. Narrative must identify project ownership, type of activity (rehab, new construction, etc.), the project location, description of services to be provided, target population (veteran, elderly, low-income families, persons experiencing

homelessness, etc.), total units in the project by bedroom size, total number of PBVs awarded to the project, and the percentage of units receiving PBVS.

- b. If greater than 25% of units in the project are receiving PBVs, the narrative must specify the exception to the 25% project cap that is being met under 24 CFR 983.56.

3. Statement of Permanent Sources and Uses of Funds

- a. Indicate type of each source (loan or grant) and terms. Only include permanent financing. Construction and interim financing should be included in item 3 below (Description of Funding Sources)
- b. Identify detailed uses, avoiding broad categories such as “soft cost.” Acquisition cost should distinguish the purchase price from related cost such as appraisal, survey, and related fees. Sources must equal uses.
- c. Following requirements must be met:
 - i. General Contractor Fees as % of Hard Costs $\leq 6\%$
 - ii. Contractor Overhead as % of Hard Costs $\leq 2\%$
 - iii. Builder’s Profit as % of Hard Costs $\leq 6\%$
 - iv. Developer Fee as a % of Total Costs (Eligible Basis) $\leq 15\%$
- d. Complete and submit HUD Form 50156

4. Description of Funding Sources

- a. Short narrative describing details for each funding source including construction, bridge, and permanent financing as applicable. Narrative should include the following information for each funding source:
 - i. Principal
 - ii. Interest rate
 - iii. Amortization
 - iv. Term
 - v. Any accrual, deferral, balloon, or forgiveness provisions
 - vi. Reserve or escrow requirements for any debt
 - vii. Any requirement to pay a portion of debt service as cashflow

5. Commitments for all Funding Sources

- a. Commitment letters, conditional commitment letters, grant agreements, or loan agreements for each funding source.
 - i. Must be commitments, not letters of interest or letters of intent.
 - ii. Closing conditions are acceptable.
 - iii. Must include all significant terms of the funding
 - iv. Must match the sources listed under Items #3 and #4 above

6. Development Commitment Letter or Development Agreement (if LIHTC project)

- a. Agreement must delineate any agreements, contributions, donations, significant terms, or transfer of funds from the developer and/or participating partners such as deferred developer fees, cash contributions, land donations, and equity investment

7. Supportive Services Commitment

- a. If the project is claiming exception to the regulatory 25% unit cap due to services being available, submit a signed Memorandum of Understanding describing services, frequency, terms of services, and resident service eligibility.

8. Appraisal Report

- a. Appraisal establishing “as is” value of the property before construction and without implications of tax credits. Appraisal must be dated within 18 months of the SLR submission date.
- b. An appraisal is required with all SLR submissions, even if there are no acquisition costs.

9. Stabilized Operating Pro Forma

- a. Use IHCD template Pro Forma if receiving IHCD LIHTC or HOME funds
 - i. If no changes since the LIHTC or HOME application was submitted to IHCD, may resubmit the original pro forma and acknowledge no changes
 - ii. If there have been changes, resubmit an updated pro forma
- b. Proforma meets following requirements:
 - i. DCR between 1.1-1.45,
 - ii. Cashflow <10% total expenses,
 - iii. Income trending 1-3% years 1-5 and 3% years 6-15
 - iv. Expense trending 1-3% years 1-15,
 - v. Replacement Reserves trending 3% (IHCD Policy)
 - vi. Vacancy Rate 4-7% (IHCD Policy)

10. Low-Income Housing Tax Credit Allocation Letter (if applicable)

- a. IHCD will upload this letter into folder, PHA does not need to provide

11. Historic Tax Credit Letter (if applicable)

- a. Submit award letter identifying the tax credit award amount

12. HOME or Housing Trust Fund Commitment Letter (if applicable)

- a. Submit signed award letter clearly identifying requirements of HOME or HTF-designated units and intended rents

13. Equity Contribution Schedule (if LIHTC project)

- a. Provide an equity investor commitment letter with detailed contribution schedule or a copy of the Limited Partnership Agreement (LPA) containing this information

14. Form HUD-2880- Applicant/Recipient Disclosure/Update Report

- a. Submit copy of HUD Form fully completed and signed by the project owner.
 - i. Note: Under Applicant/Recipient Information- line 4 “amount of HUD assistance requested” can be left blank. Per the instructions, this line is to be completed if the Applicant is requesting competitive HUD funds.

15. PBV Award Letter

- a. Letter must be on PHA letter head and include the number of units and bedroom sizes for which PBV will be awarded.
- b. If the term of the PBV award is less than 20 years the award letter must state that no extension of the HAP contract will be considered until the contract approaches expiration

16. PHA Rent Certification Letter

- a. Letter must be on PHA letterhead and include the following:
 - i. Proposed initial contract rents
 - ii. Utility Allowances
 - iii. Gross rental amounts for assisted units
 - iv. Rent reasonableness documentation or comparability analysis as evidence of rent determination and certification

17. Environmental Clearance

- a. Submit evidence that a Part 58 environmental review has been completed by providing HUD Form 7015.16 Authority to Use Grant Funds

18. SLR Submission Checklist

- a. Submit completed copy of IHCD's SLR Submission Checklist spreadsheet
 - i. Fill out cells B1, B2, and B3
 - ii. Complete the “external check” fields in Column C

Completion and Approval of SLR

The SLR package will be reviewed by the assigned IHCD underwriter, the Director of Housing Choice Programs, and the Chief Real Estate Development Officer. Once any issues or missing documentation have been resolved, the IHCD review team will sign off on the “Internal Summary and Approval of Subsidy Layering Review” document and update the project file.

IHCD will then issue a “Subsidy Layering Review and Certification” letter to HUD’s Housing Voucher Financial Management Division in DC. The awarding PHA will be copied on the letter.

If IHCD is the awarding PHA, IHCD will notify the owner/developer that the SLR is complete and will begin preparing the Agreement to Enter into a Housing Assistance Payment (AHAP). IHCD will work directly with the owner/developer to complete and execute the AHAP.

If another PHA is the awarding PHA, that PHA is responsible for notifying the owner/developer that the SLR is complete and is also responsible for preparing and executing the AHAP.

In either case, the SLR must be completed and the AHAP must be fully executed prior to the “commencement of development activity” which is defined in 24 CFR Part 983.154(d) as follows:

- **For new construction, development activity begins with excavation or site preparation (including clearing of the land)**
- **For rehabilitation, development activity begins with the physical commencement of rehabilitation activity on the housing.**

Sample Pro Forma and Budget Screenshots

The following screenshots show samples from IHCD's LIHTC application to demonstrate key pieces of information used during the SLR.

ITEMIZED COSTS	Project Costs	30% PV [4% Credit]	70% PV [9% Credit]
a. To Purchase Land and Buildings			
1. Land	305,000		
2. Demolition			
3. Existing Structures			
4. Other(s) (Specify below.)			
b. For Site Work			
1. Site Work (not included in Construction Contract)			
2. Other(s) (Specify below.)			
c. For Rehab and New Construction (Construction Contract Costs)			
1. Site Work	1,144,512		1,144,512
2. New Building	7,121,408		7,121,408
3. Rehabilitation**			
4. Accessory Building			
5. General Requirements*	484,510		484,510
6. Contractor Overhead*	161,503		161,503
7. Contractor Profit*	484,510		484,510
8. Hard Cost Contingency	403,758		403,758
d. For Architectural and Engineering Fees			
1. Architect Fee - Design*	352,000		352,000
2. Architect Fee - Supervision*	30,000		30,000
3. Consultant or Processing Agent			
4. Engineering Fees	70,000		70,000
5. High Performance Building Consultant	22,000		22,000
6. Other Fees (Specify below.)			
e. Other Owner Costs			
1. Building Permits	15,000		15,000
2. Tap Fees	92,147		92,147
3. Soil Borings	5,000		5,000
4. Real Estate Attorney			
5. Developer Legal Fees	50,000		50,000
6. Construction Loan - Legal	25,000		25,000
7. Title and Recording	25,000		25,000
8. Cost of Furniture	55,000		55,000
9. Accounting	10,000		10,000
10. Surveys	5,000		5,000
11. Other Costs (Specify below.)			
SUBTOTAL OF THIS PAGE	10,861,348	-	10,556,348

* Designates the amounts for those items that are limited, pursuant to the Qualified Allocation Plan

** Please provide a rehabilitation budget in Tab L that lists the cost of furniture, construction of community building, and common area amenities.

Hard Costs

GC Fees

Itemized Costs (p 33) | Itemized Costs (p 34) | Eligible Basis (p 35) | Credit Determination (p 36) | Underwriting | Ac

ITEMIZED COSTS	Project Costs	[4% Credit]	[9% Credit]
SUBTOTAL OF PREVIOUS PAGE	10,861,348	0	10,556,348
f. For Interim Costs			
1. Construction Insurance	60,000		60,000
2. Construction Period Interest	600,000		510,000
3. Other Capitalized Operating Expenses			
4. Construction Loan Orig. Fee	98,000		98,000
5. Construction Loan Credit Enhancement			
6. Construction Period Taxes	1,000		1,000
7. Fixed Price Contract Guarantee			
g. For Permanent Financing Fees & Expenses			
1. Bond Premium			
2. Credit Report			
3. Permanent Loan Orig. Fee	18,500		
4. Permanent Loan Credit Enhancement			
5. Cost of Iss/Underwriters Discount			
6. Title and Recording			
7. Counsel's Fee	40,000		
8. Other(s) (specify below)			
HUD App Fee, Lender App Fee, Inspection Fee	47,050		47,050
h. For Soft Costs			
1. Property Appraisal	1,800		1,800
2. Market Study	10,100		10,100
3. Environmental Report	5,250		5,250
4. IHCD Fees	81,500		
5. Consultant Fees			
6. Guarantee Fees			
7. Soft Cost Contingency	15,000		15,000
8. Other(s) (specify below)			
Construction Inspection	3,000		3,000
i. For Syndication Costs			
1. Organizational (e.g. Partnership)	50,000		
2. Bridge Loan Fees and Expenses			
3. Tax Opinion			
4. Other(s) (specify below)			
j. Developer's Fee			
35 % Not-for Profit			
65 % For-Profit	1,082,100		1,082,100
k. For Development Reserves			
1. Rent-up Reserve	50,000		
2. Operating Reserve	155,500		
3. Other Capitalized Reserves*			
*Please explain in footnotes.			
l. Total Project Costs	13,180,148	-	12,389,648

Developer Fee

Eligible Basis

Accounting Commentary	Headlines																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Income																	Total
Potential Gross Income	506,530	537,458	546,286	555,172	575,100	583,762	593,398	605,085	617,371	630,718	643,163	655,229	668,262	681,527	695,389	710,247	5,111,347
Less: Vasoectomy	(31,433)	(32,248)	(32,883)	(33,588)	(35,222)	(35,988)	(37,458)	(38,124)	(39,842)	(41,700)	(43,591)	(45,524)	(47,506)	(49,539)	(51,621)	(53,758)	(368,723)
Effective Gross Income	465,097	505,210	513,403	521,584	539,878	547,774	555,940	566,961	577,529	589,018	599,572	609,705	620,756	631,988	643,768	656,491	4,742,624
Expenses																	
Administrative	41,255	46,817	36,283	31,780	32,940	34,944	35,510	36,296	36,825	37,444	38,020	38,600	39,184	39,772	40,364	40,961	381,898
Maintenance	23,200	23,898	24,403	25,011	26,112	26,899	27,702	28,534	29,389	30,269	31,173	32,109	33,076	34,076	35,109	36,176	401,889
Operating	238,446	237,365	244,483	251,817	256,170	261,533	275,267	283,422	291,935	300,863	309,783	318,898	328,264	337,921	347,821	358,021	4,280,363
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Tax Abatement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	281,841	282,079	281,177	282,900	285,022	288,381	289,461	292,340	293,151	295,750	296,571	298,714	300,718	302,754	304,821	306,955	5,589,871
Net Operating Income	183,256	223,131	232,226	238,684	254,856	259,393	266,479	274,621	284,378	293,268	302,981	311,006	319,980	329,234	338,947	349,536	2,352,753
Debt Service - 1st Mort.	131,100	135,308	139,186	143,360	147,838	151,246	155,309	159,138	163,100	167,330	171,800	176,480	181,360	186,440	191,720	197,200	1,996,500
Debt Service - 2nd Mort.	11,861	11,866	11,861	11,861	11,861	11,861	11,861	11,861	11,861	11,861	11,861	11,861	11,861	11,861	11,861	11,861	186,816
Debt Service - 3rd Mort.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service - 4th Mort.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service - 5th Mort.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Debt Service	142,961	147,174	151,047	155,221	159,699	163,107	167,170	171,000	174,961	179,191	183,661	188,341	193,221	198,301	203,581	209,061	2,183,316
Operating Cash Flow	40,295	75,957	81,179	83,464	95,157	96,146	99,309	103,513	109,417	114,078	119,320	124,619	129,719	134,933	140,366	146,475	383,237
Total Combined DCF	1,102	1,189	1,194	1,198	1,202	1,205	1,208	1,210	1,212	1,213	1,215	1,217	1,219	1,221	1,223	1,225	1,228
Deferred Dev. Fee Payment	46,381	46,576	46,776	46,976	47,176	47,376	47,576	47,776	47,976	48,176	48,376	48,576	48,776	48,976	49,176	49,376	441,852
Surplus Cash	18	18	18	18	17,812	17,769	17,726	17,683	17,640	17,597	17,554	17,511	17,468	17,425	17,382	17,339	162,816
Cash Flow/Total Expenses	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Capex/Total Expenses	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85

Annual Income (Market Rate Units)	\$ -
Potential Gross Income	\$ 526,920
Less Vacancy Allowance 6%	\$ 31,615
Effective Gross Income	\$ 495,305

Vacancy

Default annual % increase in income over the Compliance Period? 2%

W. Annual Expense Information

(Check one) ☒ Housing OR ☐ Commercial

Administrative		Other Operating	
1. Advertising	1,920	1. Elevator	2,000
2. Management Fee	29,575	2. Fuel (heating & hot water)	
3. Legal/Partnership	2,400	3. Electricity	9,440
4. Accounting/Audit	4,000	4. Water/Sewer	28,800
5. Compliance Mont.	1,100	5. Gas	
6. Office Expenses	8,400	6. Trash Removal	3,600
7. Other (specify below)		7. Payroll/Payroll Taxes	72,000
		8. Insurance	28,248
		9. Real Estate Taxes*	33,600
		10. Other Tax	
		11. Yrly Replacement Reserve	14,400
		12. Resident Services	18,200
		13. Internet Expense	20,160
		14. Other (specify below)	
Total Administrative	\$ 47,395	Total Other Operating	\$ 230,448
Maintenance			
1. Decorating	\$ 1,600		
2. Repairs	\$ 12,800		
3. Exterminating	\$ 2,400		
4. Ground Expense	\$ 6,400		
5. Other (specify below)			
Total Maintenance	\$ 23,200		
Total Annual Administrative Expenses:		Per Unit	
\$ 47,395.0		987	
Total Annual Maintenance Expenses:		Per Unit	
\$ 23,200.0		483	
Total Annual Other Operating Expenses:		Per Unit	
\$ 230,448		4801	
TOTAL OPERATING EXPENSES (Admin+Operating+Maint):		Per Unit	
\$ 301,043		\$ 6,272	
Default annual percentage increase in expenses for the next 15 years?		3%	
Default annual percentage increase for replacement reserves for the next 15 years?		3%	

Operating Expense Trending

Replacement Reserve Trending

* List full tax liability for the property. Do not reflect tax abatement.